

Message Text

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TAGS: MCAP, IT, NATO

SUBJECT: ITALIAN FORCES FOR NATO

REFS: A) USNATO 4835; B) USNATO 5033

1. SUMMARY. IN CONNECTION WITH THE MULTILATERAL REVIEW OF ITALIAN FORCE PLANNING SCHEDULED FOR OCTOBER 26, THE FOLLOWING PARAGRAPHS PROVIDE (A) ADDITIONAL BACKGROUND TO THE ECONOMIC AND FINANCIAL SITUATION IN ITALY WHICH WILL ADVERSELY AFFECT ITALIAN DEFENSE APPROPRIATIONS IN 1974; AND (B) COMMENTS ON USNATO'S COMPREHENSIVE ANALYSIS OF ITALIAN FORCE PLANS CONTAINED IN REF B. END SUMMARY.

FINANCIAL AND ECONOMIC BACKGROUND

2. TOTAL ITALIAN DEFENSE MINISTRY APPROPRIATIONS IN 1974 WILL AMOUNT TO 2,373 BILLION LIRE (\$4,082 MILLION), REPRESENTING AN INCREASE OF 79 BILLION LIRE OR 3.4 PERCENT OVER 1973. AN EXAM-
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INATION OF THE ADEQUACY OF THESE DEFENSE APPROPRIATIONS MUST TAKE INTO ACCOUNT ITALY'S SERIOUS INFLATIONARY PROBLEMS, CAUSED IN PART BY LARGE CASH BUDGET DEFICITS, AS WELL AS THE EXISTENCE OF A SERIOUS BALANCE OF PAYMENTS PROBLEM. IN ADDITION TO DIFFICULTIES

FOR THE GOI IN LIMITING EXPENDITURES, MANAGEMENT OF THE LARGE BUDGET DEFICIT IS FURTHER COMPLICATED BY UNCERTAINTIES ABOUT REVENUES AS A RESULT OF THE ADOPTION OF A NEW INDIRECT (IVA) TAX SYSTEM ON JANUARY 1, 1973 AND OF A NEW DIRECT (INCOME) TAX SYSTEM SCHEDULED FOR ADOPTION ON JANUARY 1, 1974. THROUGH THE FIRST HALF OF 1973, THE NEW VALUE-ADDED TAX HAS FALLEN FAR SHORT OF ESTIMATED REVENUES.

3. THE MODERATE IMPROVEMENT WHICH OCCURRED IN THE ITALIAN ECONOMY DURING THE FIRST QUARTER OF 1973 WAS FOLLOWED DURING THE SUMMER AND AUTUMN BY A STRONG UPSWING IN ECONOMIC ACTIVITY WITH INCREASING INDICATIONS THAT THE ECONOMIC RECESSION OF 1971-1972 HAS BEEN OVERCOME. THE GOI ESTIMATES THAT GNP IN 1973 WILL INCREASE BY 5 PERCENT IN REAL TERMS AND ABOUT 15-16 PERCENT IN CURRENT TERMS. (THE CORRESPONDING FIGURES FOR 1972 WERE 3.2 PERCENT AND 9.3 PERCENT.) GNP GROWTH IN 1974 IS ROUGHLY ESTIMATED AT 6 PERCENT IN REAL TERMS AND 14.5 PRECENT IN CURRENT TERMS.

4. ITALY'S BALANCE OF PAYMENTS REGISTERED A LARGE OVERALL DEFICIT DURING THE FIRST NINE MONTHS OF 1973 OF \$403 MILLION (PAYMENTS BASIS). HOWEVER, THE EXTENT OF THE UNDERLYING PROBLEM CAN BE SEEN MORE CLEARLY IN THE FACT THAT THE MONETARY AUTHORITIES HAD TO OBTAIN ABOUT \$3,132 MILLION IN COMPENSATORY LOANS FROM THE EUROCURRENCY MARKET IN ORDER TO AVOID AN EVEN LARGER DEFICIT. IN THE ABSENCE OF THIS EXTRAORDINARY RESORT TO FOREIGN CREDIT, THE NINE-MONTH DEFICIT WOULD HAVE EXCEEDED \$3.5 BILLION.

5. U.S. EFFORTS TO SECURE INCREASED GOI DEFENSE APPROPRIATIONS TO IMPROVE ITALY'S DEFENSE EFFORT AND TO MEET U.S. "BURDENSARING" OBJECTIVES RUN INTO SERIOUS GOI SPENDING CONSTRAINTS. THESE STEM MAINLY FROM THE PROJECTED LARGE BUDGETARY DEFICITS IN 1973 AND 1974 AND FROM BALANCE OF PAYMENTS CONSIDERATIONS. THUS, THE ECONOMIC SITUATION HAS CHANGED CONSIDERABLY FROM A YEAR AGO IN THAT GREATER GOVERNMENT SPENDING THIS YEAR, WHETHER FOR DEFENSE OR IN OTHER FIELDS, WOULD NOT BE CONSISTENT WITH OVERALL GOI ANTI-CYCLICAL POLICIES. ON THE OTHER HAND, PROJECTED GLOBAL
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BUDGETARY EXPENDITURES IN 1974 AMOUNT TO 24,661.9 BILLION LIRE, REPRESENTING A 21.3 PERCENT INCREASE OVER 1973. INCREASED APPROPRIATIONS FOR THE MINISTRY OF DEFENSE, ON THE OTHER HAND, ARE VERY SMALL COMPARED WITH APPROPRIATION INCREASES FOR OTHER MINISTRIES. WHILE MINISTRY OF DEFENSE APPROPRIATIONS IN 1974 WOULD INCREASE IN ABSOLUTE TERMS BY 79 BILLION LIRE OVER 1973, IN RELATIVE TERMS THE MINISTRY'S SHARE OF TOTAL BUDGETARY APPROPRIATIONS WILL DECLINE FROM 11.8 PERCENT IN 1973 TO ONLY 10.0 PERCENT IN 1974.

COMMENTS ON ITALIAN FORCE PLANS

6. ARMY: THE IMPROVEMENT OF ANTI-TANK CAPABILITIES IS HIGH ON

THE ITALIAN ARMY GENERAL STAFF'S LIST OF PRIORITIES (SECOND, AFTER MODERNIZATION OF MOBILITY). BY 1975, THE ITALIAN ARMY SHOULD HAVE OPERATIONAL 130 TOW ANTI-TANK WEAPONS, AND HAVE PURCHASED 3600 MISSILES (PLUS 1200 PRACTICE ROUNDS). THE ITALIAN ARMY HAS INDICATED ITS INTENTION TO PURCHASE TWO PRODUCTION MODELS OF THE XM-65 STABILIZED PLATFOR FOR THE HELICOPTER-LAUNCHED TOW. THE ITALIAN ARMY'S LONG-RANGE GOALS FOR MODERNIZATION IN ANTI-TANK WEAPONRY INCLUDE THE SUPERENERGA RIFLE GRENADE FOR CLOSE IN DEFENSE; THE FOLGORE SYSTEM FOR SHORT-RANGE; AND THE SPARVIERO MISSILE WITH AN IR SEMI-AUTOMATIC GUIDING SYSTEM FOR LONG RANGE.

THE DISCREPANCY OF 56,000 MEN IN THE TOTAL ARMY PERSONNEL IS PROBABLY DUE TO THE ITALIAN DECISION NOT TO LIST CONSCRIPTS IN TRAINING AS PART OF THE END YEAR ACTIVE DUTY STRENGTH FIGURES. AT ANY GIVEN TIME, THERE ARE APPROXIMATELY 60,000 CONSCRIPTS IN TRAINING. RELATED TO THIS IS THE MODIFICATION IN TRAINING THAT HAS DRAFTEES NOW PARTLY REPORTING DIRECTLY TO UNITS INSTEAD OF RECRUIT TRAINING CENTERS. FURTHER, THE FUTURE REDUCTION IN THE CONSCRIPTION TERMS OF SERVICE WILL AGGRAVATE THE ARMY'S PERSONNEL PROBLEMS.

7. NAVY: WE HAVE NO INFORMATION AVAILABLE HERE TO SUPPORT THE ITALIAN INDICATION THAT A NEW OILER (AO) WILL BE PROCURED AND PLACED UNDER NATIONAL COMMAND IN 1975-76.

THE ITALIAN NAVY HAS HEAVILY COMMITTED ITSELF FINANCIALLY TO THE MISSILE FLEET MODERNIZATION PROGRAM SCHEDULED FOR
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COMPLETION IN 1978. THE TERRIER SYSTEM UPDATE WILL PROVIDE BOTH A SHIP ANTI-MISSILE DEFENSE AND SURFACE-TO-SURFACE MISSILE CAPABILITY.

OUR UNDERSTANDING IS THAT THE TOTAL NUMBER OF MINESWEEPERS TO BE CONVERTED TO MINEHUNTERS IS 10.

ONLY ONE OF THE TWO SSK'S WAS PURCHASED FROM THE U.S. IN CY 1973. A SECOND UNIT WILL BE OBTAINED IN CY 1974.

A 106 HELICOPTERS THAT HAVE BEEN DELIVERED HAVE PROVEN A MAJOR DISAPPOINTMENT. THEIR LIGHT WEIGHT HAS RENDERED THEM TOTALLY USELESS AT SEA UNDER THE SLIGHTEST WIND CONDITIONS.

CLEARLY, THE REDUCTION TO 18 MONTHS OF OBLIGED SERVICE OF CONSCRIPTS WILL HAVE AN ADVERSE IMPACT ON THE ITALIAN NAVY'S OPERATIONAL READINESS.

8. AIR FORCE: AS OF OCTOBER 1, 1973, A TOTAL OF 120 F104S AIRCRAFT HAD BEEN DELIVERED TO THE ITALIAN AIR FORCE OUT OF THE 165 ORIGINALLY PROGRAMMED. PRODUCTION OF AN ADDITIONAL 40 WILL BEGIN IN MID-1974 CONCURRENTLY WITH THE DELIVERY OF THE FIRST 165

AIRCRAFT.

AIRCRAFT SHELTERS (HANGARETTES). BASES WITH AWX UNITS (12 AIRCRAFT) WILL RECEIVE 9 HANGARETTES. BASES WITH STRIKE/ATTACK UNITS (18 AIRCRAFT) WILL RECEIVE 13 HANGARETTES. BASES WITH A COMBINATION OF AN AWX UNIT AND A STRIKE/ATTACK UNIT (TOTAL OF 30 AIRCRAFT) WILL RECEIVE 22 HANGARETTES. THE RECON-NAISSANCE UNIT AT VILLAFRANCA (WILL HAVE 36 AIRCRAFT) IS PROGRAMMED FOR 18 HANGARETTES. THE FOLLOWING IS A LIST OF IAF BASES THAT WILL PROBABLY RECEIVE AIRDRAFT SHELTERS AND THE NUMBER OF SHELTERS THEY WILL RECEIVE:

CAMERI	- 9 (0)#
CERVIA	- 13
GHEDI	- 12 (22)#
GIOIA DEL COLLE	- 22
GRAZZANISE	- 9 (0)#
TRAPANI BIRGI	- 0 (9)#
GROSSETO	- 9
ISTRANA	- 9 (22)#

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PIACENZA	- 13
RIMINI	- 22
VILLA FRANCA	- 18

#WE HAVE RELIABLE INFORMATION THAT THE UNIT AT CAMERI WILL MOVE TO GHEDI, THE UNIT A PIACENZA WILL MOVE TO ISTRANA AND THE UNIT AT GRAZZANISE WILL MOVE TO TRAPANI BIRGE. IF TESE MOVES ARE COMPLETED, THE NUMBERS IN PARENTHESIS () WILL BE CORRECT.

SO FAR, NO SHELTERS HAVE BEEN COMPLETED. CONSTRUCTION AT GHEDI IS PROGRAMMED TO START IN OCTOBER 1973, BUT THE COMMANDER THINKS IT WILL PROBABLY BE SPRING OF 1974, DUE TO WINTER WEATHER AND OTHER ANTICIPATED DELAYS. RIMINI WILL PROBABLY BE THE SECOND BASE TO GET THE SHELTERS. VOLPE

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